

**VILLAGE OF RICHWOOD
UNION COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018



OHIO AUDITOR OF STATE
KEITH FABER



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Members of Village Council
Village of Richwood
153 North Franklin Street
Richwood, Ohio 43344

We have reviewed the *Independent Auditor's Report* of the Village of Richwood, Union County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery:

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Ohio Rev. Code § 145.47(B) states, in part, that the head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the public employees retirement system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions within thirty days after the last day of such reporting period.

Ohio Rev. Code § 742.35, in part, states that each employer shall pay its police officer employers' contribution and firefighter employers' contribution in monthly payments as provided in sections 742.33 and 742.34 of the Revised Code. The employer shall make each payment not later than the last day of the month after the month for which the police officer or firefighter employee contributions were withheld. If an employer fails to make the payment installment by the date it is due, a penalty determined under section 742.352 of the Revised Code shall be assessed against the employer. In addition, interest on past due accounts and penalties may be charged at a rate determined by the board from the date the payment is due to the date of payment.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

In addition, **Ohio Rev. Code § 5747.06** requires the employing government to withhold state income taxes. It also requires the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

In regards to reporting of wages for purposes of unemployment insurance, **Ohio Rev. Code § 4141.20(B)** states that every contributory employer shall file a quarterly contribution and wage report. The quarterly report shall be filed not later than the last day of the first month following the close of the calendar quarter for which the quarterly report is being filed. The employer shall enter on the quarterly report the total and taxable remuneration paid to all employees during the quarter, the name and social security number of each individual employed during the calendar quarter, the total remuneration paid the individual, the number of weeks during the quarter for which the individual was paid remuneration, and any other information as required by section 1137 of the "Social Security Act." In case of failure to properly file the quarterly contribution and wage report containing all the required contribution and wage information within the time prescribed by this section, the director shall assess a forfeiture amounting to twenty-five one-hundredths of one per cent of the total remuneration reported by the employer, provided such forfeiture shall not be less than fifty nor more than one thousand dollars.

The former fiscal officer of the Village did not timely remit and/or file needed reports for federal income and Medicare taxes, state income taxes, unemployment, the Ohio Public Employees Retirement System, and the Ohio Police Fire Pension. The following interest and penalties were incurred and paid by the Village as a result of not timely remitting and reporting to the needed government agencies/retirement systems.

	Total Interest/Penalties Paid
Federal income tax and Medicare	\$10,102
State income tax	3,355
Ohio Public Employees Retirement System	426
Ohio Police and Fire Pension	3,300
Ohio Department of Jobs and Family Services (unemployment)	2,008
School Income Taxes	49
Total	\$19,240

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Tim Goodwin, prior fiscal officer, in the amount of \$19,240, and in favor of Village of Richwood General Fund, in the amount of \$19,240.

Members of Village Council
Village of Richwood
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Richwood is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

January 7, 2021

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**VILLAGE OF RICHWOOD
UNION COUNTY, OHIO
Regular Audit
For the Years Ended December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

Village of Richwood
Union County
153 North Franklin Street
Richwood, Ohio 43344

To the Village Council:

Report on the Financial Statements

We have been engaged to audit the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Richwood, Union County, (the Village) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Village's records did not provide details of all disbursement transactions for 2018 and a substantial part of 2019. Disbursements were summarized and summary entries were recorded which could not be reconciled to detailed transactions. Accordingly, we could not gain assurance of the cash balances of the General, Special Revenue, Capital Projects, Enterprise and Agency funds in the amounts of \$466,346, \$277,040, \$101,873, \$641,584 and \$15,208, respectively as of December 31, 2019; the cash balances of the General, Special Revenue, Capital Projects, Enterprise and Agency funds in the amounts of \$467,345, \$237,587, \$101,873, \$707,506 and \$15,208, respectively as of December 31, 2018; the disbursements of the General, Special Revenue, Capital Projects, Enterprise and Agency funds in the amounts of \$905,285, \$253,527, \$0, \$742,856 and \$18,000, respectively for the year ending December 31, 2019; and the disbursements of the General, Special Revenue, Capital Projects, Enterprise and Agency funds in the amounts of \$895,747, \$658,244, \$187,000, \$699,491 and \$0, respectively for the year ended December 31, 2018. Therefore, we could not determine if adjustments were necessary to these balances.

Disclaimer of Opinion

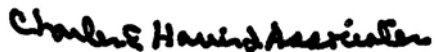
Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
October 6, 2020

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**VILLAGE OF RICHWOOD
UNION COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 151,542	\$ 50,925	\$ -	\$ 202,467
Municipal Income Tax	578,968	-	-	578,968
Intergovernmental	85,506	140,840	-	226,346
Fines, Licenses and Permits	1,713	-	-	1,713
Charges for Services	3,472	500	-	3,972
Earnings on Investments	34,590	7,338	-	41,928
Miscellaneous	48,495	28,455	-	76,950
Total Cash Receipts	904,286	228,058	-	1,132,344
Cash Disbursements				
Current:				
Security of Persons and Property	701,392	1,000	-	702,392
Public Health Services	1,962	-	-	1,962
Leisure Time Activities	-	27,834	-	27,834
Community Environment	4,125	-	-	4,125
Transportation	1,695	74,254	-	75,949
General Government	108,231	-	-	108,231
Capital Outlay	1,700	146,697	-	148,397
Total Cash Disbursements	819,105	249,785	-	1,068,890
Excess of Receipts Over (Under) Disbursements	85,181	(21,727)	-	63,454
Other Financing Receipts (Disbursements)				
Transfers In	-	64,922	-	64,922
Transfers Out	(61,180)	(3,742)	-	(64,922)
Other Financing Uses	(25,000)	-	-	(25,000)
Total Other Financing Receipts (Disbursements)	(86,180)	61,180	-	(25,000)
Net Change in Fund Cash Balances	(999)	39,453	-	38,454
Fund Cash Balances, January 1, 2019	467,345	237,587	101,873	806,805
Fund Cash Balances, December 31 2019				
Restricted	-	277,040	101,873	378,913
Assigned	276,175	-	-	276,175
Unassigned	190,171	-	-	190,171
Fund Cash Balances, December 31, 2019	\$ 466,346	\$ 277,040	\$ 101,873	\$ 845,259

See Accompanying Notes to the Financial Statements.

VILLAGE OF RICHWOOD
UNION COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
For the Year Ended December 31, 2019

	<u>Proprietary</u> <u>Fund Type</u>	<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum</u> <u>Only)</u>
Operating Receipts:			
Charges for Services	\$ <u>676,460</u>	\$ -	\$ <u>676,460</u>
Total Operating Receipts	676,460	-	676,460
Operating Disbursements:			
Personal Services	233,277	-	233,277
Employee Fringe Benefits	81,832	-	81,832
Contractual Services	202,253	-	202,253
Supplies and Materials	<u>106,482</u>	<u>-</u>	<u>106,482</u>
Total Operating Disbursements	<u>623,844</u>	<u>-</u>	<u>623,844</u>
Operating Income	52,616	-	52,616
Non-Operating Receipts/(Disbursements):			
Earnings on Investments	299	-	299
Miscellaneous Receipts	175	18,000	18,175
Capital Outlay	(41,047)	-	(41,047)
Debt Service:			
Principal Retirement	(72,208)	-	(72,208)
Interest and Fiscal Charges	(5,757)	-	(5,757)
Other Financing Uses	<u>-</u>	<u>(18,000)</u>	<u>(18,000)</u>
Total Nonoperating Receipts/(Disbursements)	<u>(118,538)</u>	<u>-</u>	<u>(118,538)</u>
Net Change in Fund Balance	(65,922)	-	(65,922)
Fund Cash Balance, January 1, 2019	<u>707,506</u>	<u>15,208</u>	<u>722,714</u>
Fund Cash Balance, December 31, 2019	\$ <u><u>641,584</u></u>	\$ <u><u>15,208</u></u>	\$ <u><u>656,792</u></u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Richwood, Union County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization. Note 10 to the financial statements provide additional information about this entity.

The Village participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2 – Summary of Significant Accounting Policies - Continued

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund This fund receives gasoline and motor vehicle tax monies for constructing, maintaining, and repairing Village streets.

Parks and Recreation Fund This fund receives property taxes and on-behalf receipts from an OPWC grant award for operating, maintaining, and repairing the Village park.

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Industrial Park Fund This fund receives State grants for the preparation of the Village's industrial park.

Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund This fund receives charges for services from residents to cover water treatment and distribution costs.

Sewer Operating Fund This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund holds money for fire damage clean-up of property within the Village. Miscellaneous receipts into this fund are from insurance proceeds for fire damage to specific properties and once the property owners clean up, the Village remits monies to the owners.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2 – Summary of Significant Accounting Policies - Continued

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests all available funds in a checking account and certificates of deposit.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated receipts and appropriations in the subsequent year's appropriated budget in the General Fund.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 2 – Summary of Significant Accounting Policies - Continued

Fund Balance - Continued

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 585,081	\$ 904,286	\$ 319,205
Special Revenue	238,663	292,980	54,317
Enterprise	627,250	676,934	49,684

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$815,412	\$905,285	\$ (89,873)
Special Revenue	287,057	253,527	33,530
Capital Projects	12,000	-	12,000
Enterprise	863,650	742,856	120,794

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits and investments at December 31 was as follows:

	2019
Demand deposits	\$ 737,085
Certificates of deposit	764,966
Total deposits	\$ <u>1,502,051</u>

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income from residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 6 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CK09D	\$ 10,232	0.00%
OWDA Loan #3341	127,128	6.39%
OWDA Loan #7251	86,901	0.00%
OPWC Loan CK28Q	191,559	0.00%
OPWC Loan CT38T	235,943	0.00%
OPWC Loan CT61U	180,767	0.00%
Total	<u>\$ 832,530</u>	

The Village obtained a loan from OPWC (CK09D) in 2002 for water line improvements. The loan is due in semi-annual payments of \$2,046 through 2022 at an interest rate of 0.00 percent.

The Village obtained a loan from OPWC (CK28Q) in July of 2016 for water system improvements. The loan is due in semi-annual installments of \$5,804.81 through 2036 at an interest rate of 0.0 percent.

The Village obtained a loan from OPWC (CT38T) in prior years for East Ottawa Construction. The loan is due in semi-annual installments of \$4,213 through 2047 at an interest rate of 0.00 percent.

The Village obtained a loan from OPWC (CT61U) in 2018 for East Bomford St. reconstruction. The loan is due in semi-annual installments of \$3,116.67 through July 2048 at an interest rate of 0.00 percent.

The Village obtained a loan from OWDA (3341) in July of 2002 for Water System Improvements. The loan is due in semi-annual installments of \$9,195.38 through 2027 at an interest rate of 4.0 percent.

The Village obtained a loan from OWDA (7251) in January of 2018 for Inflow and Infiltration Study. The loan is due in annual installments of \$14,500.00 through 2022 at an interest rate of 0.00 percent.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 6 Debt – Continued

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending <u>December 31,</u>	<u>OPWC</u>	<u>OWDA</u>
2020	\$ 30,362	\$ 47,315
2021	30,362	47,627
2022	28,316	47,959
2023	26,269	19,313
2024	26,269	20,091
2025-2029	131,347	72,249
2030-2034	131,347	-
2035-2039	90,714	-
2040-2044	73,299	-
2045-2048	50,216	-
	<u>\$ 618,501</u>	<u>\$ 254,554</u>

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village’s elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members Contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

Village’s certified full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2019.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Note 10 – Jointly Governed Organization

The Village of Richwood, Claiborne Township, Jackson Township and York Township appoint one member to the Board of Trustees of the Northern Union County Joint Fire and EMS District. The Northern Union County Joint Fire & EMS District provides fire protection and rescue services within the District.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 11 – Contingent Liabilities/Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Management believes there are no pending claims or lawsuits.

**VILLAGE OF RICHWOOD
UNION COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 156,440	\$ 54,445	\$ -	\$ 210,885
Municipal Income Tax	566,080	-	-	566,080
Intergovernmental	14,726	405,109	-	419,835
Fines, Licenses and Permits	2,609	-	-	2,609
Charges for Services	361	1,400	-	1,761
Earnings on Investments	819	129	-	948
Miscellaneous	24,990	3,765	-	28,755
Total Cash Receipts	766,025	464,848	-	1,230,873
Cash Disbursements				
Current:				
Security of Persons and Property	556,155	-	-	556,155
Leisure Time Activities	-	23,713	-	23,713
Transportation	-	89,133	-	89,133
General Government	133,704	-	-	133,704
Capital Outlay	28,288	545,398	187,000	760,686
Total Cash Disbursements	718,147	658,244	187,000	1,563,391
Excess of Receipts Over (Under) Disbursements	47,878	(193,396)	(187,000)	(332,518)
Other Financing Receipts (Disbursements)				
Loans Issued	-	-	187,000	187,000
Transfers In	-	162,000	10,000	172,000
Transfers Out	(172,000)	-	-	(172,000)
Other Financing Uses	(5,600)	-	-	(5,600)
Total Other Financing Receipts (Disbursements)	(177,600)	162,000	197,000	181,400
Net Change in Fund Cash Balances	(129,722)	(31,396)	10,000	(151,118)
Fund Cash Balances, January 1, 2018 - (Restated)	597,067	268,983	91,873	957,923
Fund Cash Balances, December 31 2018				
Restricted	-	237,587	101,873	339,460
Assigned	230,331	-	-	230,331
Unassigned	237,014	-	-	237,014
Fund Cash Balances, December 31, 2018	\$ 467,345	\$ 237,587	\$ 101,873	\$ 806,805

See Accompanying Notes to the Financial Statements.

VILLAGE OF RICHWOOD
UNION COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
For the Year Ended December 31, 2018

	<u>Proprietary</u> <u>Fund Type</u>	<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum</u> <u>Only)</u>
Operating Receipts:			
Charges for Services	\$ <u>670,130</u>	\$ <u>-</u>	\$ <u>670,130</u>
Total Operating Receipts	670,130	-	670,130
Operating Disbursements:			
Personal Services	254,733	-	254,733
Employee Fringe Benefits	73,115	-	73,115
Contractual Services	149,747	-	149,747
Supplies and Materials	<u>71,380</u>	<u>-</u>	<u>71,380</u>
Total Operating Disbursements	<u>548,975</u>	<u>-</u>	<u>548,975</u>
Operating Income	121,155	-	121,155
Non-Operating Receipts/(Disbursements):			
Loan Proceeds	23,750	-	23,750
Earnings on Investments	5	-	5
Miscellaneous Receipts	200	-	200
Capital Outlay	(79,390)	-	(79,390)
Debt Service:			
Principal Retirement	(63,394)	-	(63,394)
Interest and Fiscal Charges	<u>(7,732)</u>	<u>-</u>	<u>(7,732)</u>
Total Nonoperating Receipts/(Disbursements)	<u>(126,561)</u>	<u>-</u>	<u>(126,561)</u>
Net Change in Fund Balance	(5,406)	-	(5,406)
Fund Cash Balance, January 1, 2018	<u>712,912</u>	<u>15,208</u>	<u>728,120</u>
Fund Cash Balance, December 31, 2018	\$ <u><u>707,506</u></u>	\$ <u><u>15,208</u></u>	\$ <u><u>722,714</u></u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Richwood, Union County (the Village), as a body corporate and politic. A publicly elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization. Note 10 to the financial statements provide additional information about this entity.

The Village participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2 – Summary of Significant Accounting Policies - Continued

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund This fund receives gasoline and motor vehicle tax monies for constructing, maintaining, and repairing Village streets.

Parks and Recreation Fund This fund receives property taxes and on-behalf receipts from an OPWC grant award for operating, maintaining, and repairing the Village park.

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Industrial Park Fund This fund receives State grants for the preparation of the Village's industrial park.

Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund This fund receives charges for services from residents to cover water treatment and distribution costs.

Sewer Operating Fund This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund holds money for fire damage clean-up of property within the Village. Miscellaneous receipts into this fund are from insurance proceeds for fire damage to specific properties and once the property owners clean up, the Village remits monies to the owners.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2 – Summary of Significant Accounting Policies – Continued

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests all available funds in a checking account and certificates of deposit.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies - Continued

Fund Balance – Continued

Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated receipts and appropriations in the subsequent year's appropriated budget in the General Fund.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 585,081	\$ 766,025	\$ 180,944
Special Revenue	2,034,261	626,848	(1,407,413)
Capital Projects	187,000	197,000	10,000
Enterprise	629,600	694,085	64,485

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$815,412	\$895,747	\$ (80,335)
Special Revenue	1,983,416	658,244	1,325,172
Capital Projects	199,000	187,000	12,000
Enterprise	891,141	699,491	191,650

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand deposits	\$ 804,792
Certificates of deposit	724,727
Total deposits	\$ <u>1,529,519</u>

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income from residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 6 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan CK09D	\$ 14,325	0.00%
OWDA Loan #3341	139,842	6.39%
OWDA Loan #7251	116,033	0.00%
OPWC Loan CK28Q	203,168	0.00%
OPWC Loan CT38T	244,370	0.00%
OPWC Loan CT61U	187,000	0.00%
Total	<u>\$ 904,738</u>	

The Village obtained a loan CK09D from OPWC in 2002 for water line improvements. The loan is due in semi-annual payments of \$2,046 through 2022 at an interest rate of 0.00 percent.

The Village obtained a loan from OWDA (3341) in July of 2002 for Water System Improvements. The loan is due in semi-annual installments of \$9,195.38 through 2027 at an interest rate of 6.39 percent.

The Village obtained a loan from OWDA (7251) in January of 2018 for Inflow and Infiltration Study. The loan is due in annual installments of \$14,500.00 through 2022 at an interest rate of 0.00 percent.

The Village was approved for loan CK28Q from OPWC in 2013 for water line replacement. In 2016, the CK28Q final loan amount and the amortization schedule was finalized. The loan is due in semi-annual payments of \$5,805 through 2036 at an interest rate of 0.00%.

The Village obtained loan CT38T from OPWC in prior years for street construction. The loan is due in semi-annual payments of \$4,213 through 2047 at an interest rate of 0.00%.

In 2018 the Village obtained loan CT61U from OPWC for street construction. The loan is due in semi-annual payments of \$3,116.67 through 2048.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 6 – Debt - Continued

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31,	<u>OPWC</u>	<u>OWDA</u>
2019	\$ 30,362	\$ 47,022
2020	30,362	47,315
2021	30,362	47,627
2022	28,316	47,959
2023	26,269	19,313
2024-2028	131,347	91,939
2029-2033	131,347	-
2034-2038	102,323	-
2039-2043	73,299	-
2044-2048	64,876	-
	<u>\$ 648,863</u>	<u>\$ 301,175</u>

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multi-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members Contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

Village's certified full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Risk Management

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The Village pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 10 – Jointly Governed Organization

The Village of Richwood, Claiborne Township, Jackson Township and York Township appoint one member to the Board of Trustees of the Northern Union County Joint Fire and EMS District. The Northern Union County Joint Fire & EMS District provides fire protection and rescue services within the District.

**VILLAGE OF RICHWOOD, OHIO
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 11 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

Note 12 – Fund Balance Adjustments

The Village made adjustments to the 2018 beginning fund balances to correct recording errors and void checks that were written in prior periods and voided but not added back to cash balances. The beginning fund balances for 2018 are restated as follows:

	General Fund	Special Revenue Funds
Fund Balance as previously reported	\$ 569,017	\$ 265,253
Adjustments	28,050	3,730
Restated Fund balance	<u>\$ 597,067</u>	<u>\$ 268,983</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Village of Richwood
Union County
153 North Franklin Street
Richwood, Ohio 43344

To the Village Council:

We have been engaged to audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Richwood, Union County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2020, wherein we disclaimed an opinion on the cash balances, receipts and disbursements of the General, Special Revenue, Capital Projects, Enterprise and Agency funds. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings as items 2019-001 through 006 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Audit Findings as items 2019-004, 2019-005 and 2019-007.

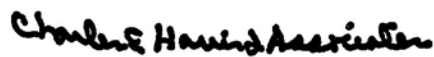
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 6, 2020.

Entity's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
October 6, 2020

VILLAGE OF RICHWOOD
UNION COUNTY
Schedule of Audit Findings - Continued
December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2019-001 – Material Weakness

Timely Posting of Transactions/Monthly Bank Reconciliations/Council Monitoring

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of bank balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The fiscal officer is responsible for posting all receipt and disbursement transactions of the Village as those transactions occur and for reconciling the book (fund) balance to the total bank balance on a monthly basis. The Council is responsible for holding the fiscal officer accountable for timely and accurate accounting of Village financial transactions. The Council should be requesting financial reports and accurate bank reconciliations and supporting documentation be provided once a month for review.

During 2018, the fiscal officer did not record transactions on a timely basis. Many transactions were not recorded until December 2018. This resulted in a growing number of reconciling items on the bank reconciliations that amounted to \$137,812 by November 2018. Additionally, the reconciliations were not completed on a timely basis in 2018 or 2019. Therefore, Council was not provided accurate financial reports to fulfill their oversight responsibility.

Furthermore, the Villages' December 31, 2018 outstanding check list included 39 checks outstanding for more than a year (some which date back to 2010), totaling \$22,612.

Failure to reconcile monthly bank reconciliations increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

We recommend the fiscal officer record all transactions and prepare monthly bank to book cash reconciliations which include all bank accounts and all fund balances, in a timely manner. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. We lastly recommend the fiscal officer provide the Council monthly system-generated financial reports, including detailed revenue and expenditure transaction reports, budget versus actual revenue and expenditure reports, and fund balance reports. These reports should be reviewed by the Council and appropriate follow-up should be made regarding any unusual balances or transactions.

Management's Response:

See Corrective Action Plan on page 34.

VILLAGE OF RICHWOOD
UNION COUNTY
Schedule of Audit Findings - Continued
December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)

Finding Number 2019-002 – Material Weakness

Audit Adjustments, Reclassifications and Notes to the Financial Statements

During 2019 and 2018, errors were noted in the Village's financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- State grants totaling \$302,607 in 2018 and \$56,180 in 2019 were reclassified from miscellaneous operating receipts to intergovernmental receipts.
- In 2018, a \$23,750 loan receipt from OWDA was erroneously recorded as a miscellaneous operating receipt.
- State rollback receipts were reclassified from property taxes to intergovernmental receipts in 2018 and 2019 for \$13,555 and \$6,026, respectively.
- In 2019 capital outlays totaling \$37,085 were erroneously recorded as transportation and contractual services expenses.
- Debt service payments of \$77,965 in 2019 and \$46,126 in 2018 which were classified as capital outlay and contractual expenses were reclassified.
- Unassigned general fund balances of \$230,331 in 2018 and \$276,175 in 2019 were reclassified to assigned fund balances to account for subsequent year appropriations exceeding subsequent year estimated receipts. Various other minor fund balance reclassifications were also made.

In addition to the above reclassifications, adjustments were made to the 2019 and 2018 notes to the financial statements to include the Parks and Recreation Fund as a significant Special Revenue Fund in Note 1, to reflect detail fund information in the budgetary note 3, to ensure all debt issuances are included in Note 6, to include Ohio Police & Fire as a retirement system in Note 7 and to include postemployment note 8 and related organization note 10.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use Governmental Accounting Standards Board Statement No. 54, Audit Bulletin 2011-004, the Village Officer's Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management's Response:

See Corrective Action Plan on page 34.

VILLAGE OF RICHWOOD
UNION COUNTY
Schedule of Audit Findings - Continued
December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)

Finding Number 2019-003 – Material Weakness

Segregation of Duties

Ohio Admin. Code § 117-2-01(0)(4) states, in part, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

During 2018 and part of 2019, the Billing Clerk/Fiscal Officer entered the meter readings in the system, sent out bills, received payments, entered payments into the water and sewer utility billing system and deposited the money with the bank. The Administrative Assistant also assisted in reading meters and completed adjustments in the utility billing system. The Fiscal Officer performed the same duties, except for meter reading, beginning in 2019. As of December 31, 2019, there were no controls or compensating controls (such as review or approval of the meter read entries, bills, daily payment reconciliations, deposit slips or adjustments) in place to prevent and/or detect a misstatement of utility receipts.

Failure to have proper segregation of duties may result in errors or irregularities or undetected fraud.

We recommend the Village provide for adequate segregation of duties in its water and sewer process. This should include, but not be limited to, ensuring an employee is not capable of accessing all aspects of an account process without proper review or monitoring. We also recommend monitoring of receipt activity and adjustments via documented reviews of receipt collection reports.

Management's Response:

See Corrective Action Plan on page 34.

Finding Number 2019-004 – Noncompliance/Material Weakness

On-Behalf Payments

Ohio Rev. Code § 5705.42 requires, in part, when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

In 2018, the Ohio Public Works Commission (OPWC) expended \$187,000 on-behalf of the Village. Under the terms of these agreements, OPWC made project payments directly to the vendor/contractor on the Village's behalf. These amounts were not recognized as receipts and disbursements, nor were they included in the appropriations or estimated resources, in the Village's accounting records, thus understating debt proceeds, and capital outlay disbursements, along with understating appropriations and estimated resources in the Capital Project fund. This was caused by the Village not having procedures in place for recording on-behalf of payments. Adjustments were made to the financial statements and notes to recognize these receipts, disbursements and corresponding debt.

VILLAGE OF RICHWOOD
UNION COUNTY
Schedule of Audit Findings - Continued
December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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Finding Number 2019-004 – Noncompliance/Material Weakness – (Continued)

By not properly recording on-behalf payments, the Village cannot report accurate financial activity to its constituents.

Any payments made on behalf of the Village by another party should be recorded by the Village as receipts and disbursements. See AOS Bulletin 2000-008 for further guidance on posting the on-behalf of activity. Failure to do so results in an understatement of receipts and disbursements. Additionally, since this grant is deemed to be appropriated pursuant to Ohio Rev. Code Section 5705.42, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

Management's Response:

See Corrective Action Plan on page 34.

Finding Number 2019-005 – Noncompliance/Material Weakness

Restricted Monies

Ohio Rev. Code § 5705.10(1) states that money paid into any fund shall be used only for the purposes for which such fund was established.

During 2018 and 2019, the Village erroneously posted permissive motor vehicle license taxes levied by the Council to the Street Construction, Maintenance and Repair Special Revenue Fund rather than to the Permissive Motor Vehicle License Tax Special Revenue Fund.

We also noted the Village paid debt payments of \$6,233 related to a Capital fund project from the Water Operating fund in 2019.

Lack or failure of controls over posting of financial transactions could result in monies being expended for unallowable purposes.

We recommend the Village closely monitor financial activity to ensure that restricted receipts and disbursements are only being applied to the fund established for such purposes. The Village has agreed to and posted adjustments which are reflected in the Village's ledgers and/or financial statements.

Management's Response:

See Corrective Action Plan on page 34.

VILLAGE OF RICHWOOD
UNION COUNTY
Schedule of Audit Findings - Continued
December 31, 2019 and 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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Finding Number 2019-006 – Material Weakness

Accounting Ledgers/Transactions

Ohio Admin. Code 117-2-02(D) and (E) requires local public offices to maintain accounting records that, among other things, assemble and classify disbursements or expenditure/expenses into separate accounts.

While the Village did maintain its records utilizing the Auditor of State's Uniform Accounting Network (UAN), entries into the system for 2018 and the first quarter of 2019 were summaries of activity with no detail as to vendor, date, warrant number or description. Supplemental detailed records were provided in Excel, but they could not be reconciled to the entries in UAN. Therefore, a large portion of the disbursements for 2018 and some in 2019 could not be verified as to date of the transaction, or the fund and account charged.

We recommend the Village record all receipt and disbursement transactions in detail including the date of the transaction, warrant number, if applicable, the vendor name, and account code.

Management's Response:

See Corrective Action Plan on page 34.

Finding Number 2019-007 – Noncompliance

Payroll Taxes

In connection with our testing of expenditures and payroll, we noted the Village was not remitting payroll taxes on a timely basis. Internal Revenue Code 26 U.S.C. Sections 3401-3406 as well as various state and local laws require the timely remittance of withheld and employer payroll taxes. Accordingly, the Village incurred late fees and penalties related to the late filings.

We recommend that the Village prepare and remit all required tax forms in a timely manner for compliance with the Ohio Revised Code and to avoid late fees and penalties. The Auditor of State has been made aware of the late fees and penalties.

Management's Response:

See Corrective Action Plan on page 34.

Village of Richwood
 Union County, Ohio
 For the Years Ended December 31, 2019 and 2018

SCHEDULE OF PRIOR AUDIT FINDINGS-PREPARED BY MANAGEMENT

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2017-001	Material Weakness – Timely Posting of Transactions / Monthly Bank Reconciliations / Council Monitoring	Not corrected	See corrective action plan
2017-002	Material Weakness – Financial Reporting	Not corrected	See corrective action plan
2017-003	Material Weakness – Segregation of Duties	Not corrected	See corrective action plan
2017-004	Noncompliance / Material Weakness – On-Behalf Payments	Not corrected	See corrective action plan
2017-005	Noncompliance / Material Weakness – Restricted Monies	Not corrected	See corrective action plan

VILLAGE OF RICHWOOD
Union County, Ohio
For the Years Ended December 31, 2019 and 2018

CORRECTIVE ACTION PLAN – PREPARED BY MANAGEMENT

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Bank reconciliations are now being performed timely and Council is receiving reports on a monthly basis	Completed	Sarah Sellers, Fiscal Officer
2019-002	The Village will review their procedures and appropriate AOS and GASB guidance	Immediately	Sarah Sellers, Fiscal Officer
2019-003	The Village has limited staff but will attempt to provide additional oversight to alleviate the issue.	Immediately	Sarah Sellers, Fiscal Officer Monte Asher, Village Administrator
2019-004	The Village will begin recording on-behalf payments	Immediately	Sarah Sellers, Fiscal Officer
2019-005	The Village will implement procedures to ensure transactions are recorded in the correct fund	Immediately	Sarah Sellers, Fiscal Officer
2019-006	The Village is now recording detailed transactions in UAN	Completed	Sarah Sellers, Fiscal Officer
2019-007	The Village is now remitting taxes on a timely basis	Completed	Sarah Sellers, Fiscal Officer

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF RICHWOOD

UNION COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 1/19/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
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